

FISCAL NOTE

SB 558 - HB 1674

March 22, 2003

SUMMARY OF BILL: Provides language to aid in the enforcement of the Tennessee Tobacco Manufacturer's Escrow Fund Act as follows:

- Requires tobacco product manufacturers selling cigarettes within the state to provide certification to the Commissioner of Revenue. Such certification would include information about brand families and unit sales, as well as information pertaining to the escrow accounts required of manufacturers not participating in the master settlement agreement.
- Requires manufacturers to maintain specific records and documentation for a period of five years unless required by law to do so longer.
- Directs the commissioner to develop and make a public listing of all manufacturers that have provided current and accurate certifications.
- Requires licensed agents to submit information, as required by the commissioner, pertaining to the payment of cigarette taxes. Further, these agents are required to maintain and make available invoices, documentation, and any other relevant information for a period of five years.
- Provides penalties for violations of the legislation.
- Provides manufacturers with the right to appeal decisions of the commissioner.
- Requires licensees and agents to certify in writing that they will fully comply with the provisions of the bill
- Gives the state the power to recover the costs of investigation, expert witness fees, costs of the action and reasonable attorney fees pursuant to the enforcement of the provisions of this bill.
- Provides for the disgorgement of any profits, gain, gross receipts or other benefit from violations of this bill. Such funds would be deposited into the state's general fund.
- Stipulates that contraband cigarettes be destroyed. Current law provides for them to be auctioned with proceeds going to the state.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - Less than \$100,000

Increase State Revenues - Net Impact - Less than \$100,000

Increase Local Govt. Expenditures - Not Significant

Increase Local Govt. Revenues - Not Significant

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Estimate assumes:

- State expenditures would increase due to the costs of reporting and enforcement required by the bill.
- Civil penalties and forfeitures resulting from violations of this bill will result in an increase in revenues to the state below \$100,000.
- There will be a decrease in state revenues associated with the destruction rather than sale of contraband cigarettes.
- The impact to local governments will be from misdemeanor convictions. However, this is not expected to significantly impact local government revenues or expenditures.
- Class B misdemeanor convictions - Impact depends upon the number of persons convicted of this offense and the resulting increased cost to local governments to confine such persons versus the increased revenues to local governments from fines levied and collected under the provisions of this bill.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James A. Davenport". The signature is fluid and cursive, with a large, stylized initial "J".

James A. Davenport, Executive Director